

Message Text

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ORIGIN XMB-07

INFO OCT-01 AF-10 ADP-00 EB-11 L-03 RSC-01 /033 R

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FM SECSTATE WASHDC

TO AMEMBASSY LAGOS

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E. O. 11652: GDS

TAGS: EFIN

SUBJECT: DEBT DELINQUENCY - EXIMBANK

EXIMBANK GREATLY APPRECIATES EMBASSY' S ASSISTANCE IN BRINGING NIGERIA AIRWAYS (NA) ARREARAGE TO ATTENTION OF GUARANTORS AND SHARES EMBASSY' S EXPECTATION THAT WHEN BROUGHT TO ATTENTION OF FNG, DELINQUENCY SHALL BE SETTLED PROMPTLY. EXIMBANK CONTEMPLATES NO PENALTY MEASURES, HOWEVER ARTICLE VIII OF CREDIT AGREEMENT 3757 REQUIRES EXIMBANK, BY WRITTEN NOTICE, IN FACE OF CONTINUING DEFAULT, TO SUSPEND DISBURSEMENTS. TO EXTENT KIRKPATRICK OR OTHER U. S. SUPPLIERS HAVE, IN GOOD FAITH, ACTUALLY SHIPPED, EXIMBANK WILL NOT WITHHOLD PAYMENT. AVAILABILITY OF CREDIT 3757 HAD EXPIRED, YET ON MAY 22, 1973, WHILE NA WAS KNOWN TO HAVE BEEN IN ARREARS SINCE APRIL 30, WITH FULL CONFIDENCE IN FNG, AND WITH FNG' S CONSENT, AFTER AGAIN BY CABLE OF MAY 15 REQUESTING PAYMENT OF NA, EXIMBANK EXTENDED DISBURSEMENT AVAILABILITY OF CREDIT. EXIMBANK IS AWARE OF GREAT PROBLEMS CREATED BY LATE HOSTILITIES, HAS GIVEN SYMPATHETIC CONSIDERATION BOTH TO RESCHEDULINGS AND TO NEW LOANS. THIS WEEK NEW LOANS, GUARANTEES, AND EXPORTER INSURANCE

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POLICIES HAVE BEEN APPROVED BY EXIMBANK FOR NIGERIA, SUBJECT TO CURING PRESENT DEFAULT. NA'S ARREARAGES ARE IN LARGE AMOUNTS, EXCEEDING IN AGGREGATE ALL OTHER NON- POLITICAL BUSINESS ARREARAGES NOT IN LITIGATION WHICH DATE BACK AS FAR AS APRIL 1973 AND ARE OF LONG DURATION. AFTER 90 DAYS, SAY BY JULY 30, 1973, WITHOUT ALTERNATIVE OPTION TO EXIMBANK, BY INTERAGENCY AGREEMENT, THESE ARREARAGES MUST APPEAR ON LISTS WITH BROAD CIRCULATION. PERPETUATION OF THE DEFAULT IS CLEARLY CONTRARY TO THE LONG- TERM INTERESTS OF NA AND COULD EMBARRASS FNG AS GUARANTOR. IT IS IN SUPPORT OF FNG'S GOOD CREDIT THAT EXIMBANK URGES EMBASSY TO ENCOURAGE PROMPT PAYMENT.

IN EVENT OF CONTINUING DEFAULT, EXIMBANK MUST CALL UPON THE GUARANTOR. IN THIS INSTANCE IT APPEARED EXPEDIENT TO SOLICIT ASSISTANCE OF AMEMBASSY TO ASSURE CERTAIN, PROMPT AND DIPLOMATIC HANDLING. EXIMBANK CONTINUES TO BELIEVE THIS BEST AVENUE TO CALL ATTENTION OF GUARANTOR TO THE EXISTING DEFAULT AND THE UNAVOIDABLE CONSEQUENCES IF IT CONTINUES. RUSH

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*** Current Classification *** LIMITED OFFICIAL USE

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